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# Independent Progress Report for the Australia Indonesia Partnership for Economic Governance

## MANAGEMENT RESPONSE

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### Aid Activity Objective

The stated objective of AIPEG is to strengthen government capability for policy formulation, coordination and implementation in areas affecting the national budget and macroeconomic performance. Note however that this objective is subject to review, as recommended by the Independent Progress Report (IPR).

### Aid Activity Summary

<b>Aid Activity Name</b>			
AidWorks initiative number	ING 848		
Commencement date	1 Dec 2009	Completion date	30 Nov 2012 (phase I)
Total Australian \$	\$31 million		
Total other \$	None		
Delivery organisation(s)	Norton Rose Australia		
Implementing Partner(s)	The Coordinating Ministry for Economic Affairs (CMEA), Government of Indonesia		
Country/Region	Indonesia		
Primary Sector	Economic Governance		

### Independent Evaluation Summary

#### Evaluation Objective:

The primary purpose of the Independent Progress Review (IPR) was to independently evaluate the progress of AIPEG in achieving its overall goal and objectives. In particular, the IPR focussed on the strategic relevance of the AIPEG portfolio and how this could be strengthened going forward with a view to informing AusAID decisions for the next phase of AIPEG commencing in December 2012.

**Evaluation Completion Date:** December 2011

#### Evaluation Team:

The IPR team was led by a monitoring and evaluation specialist, Mr. John Winter supported by Australian economist Mr. Murray Edwards (former Australian Treasury) and Indonesian economist Ms. Ninasapti Triaswati from the University of Indonesia.

## Key Messages

The IPR assessed AIPEG as largely delivering a good quality program. AIPEG was judged as working in areas of economic policy of relevance to Indonesia's reform agenda and with Indonesian agencies with reasonable prospects of reform. It was judged too early to assess whether AIPEG activities were achieving their objectives. However, the IPR identified several notable instances of success, including:

- Assistance in the introduction of a modern risk based supervision system for the pensions industry, and;
- Development of a climate change green paper which has been adopted as the Indonesian Government's official policy position on climate change.

It was noted that AIPEG activities were adequately designed with a clear process linking activities to Indonesian agency priorities. The IPR concluded that the monitoring and evaluation system reflected good practice and would provide robust evidence of impact as activities progressed.

The IPR identified several key areas where AIPEG could be improved. First, the need to review the overall facility objective as it was too broadly defined for the purposes of evaluation at the facility level. Second, that there had been little track record of developing new sub-facilities within AIPEG and that the AIPEG management support team (MST) needed to recruit more economic expertise to fulfil this role. Third, that the overhead costs of AIPEG were somewhat high relative to available comparison figures and this needed to be addressed in the next contract. Finally, the IPR noted that the costs of monitoring and evaluation needed to be balanced, with some refocusing on longer term analysis.

The overall implication of the IPR was that AIPEG should continue to phase II, subject to the addressing of its recommendations.

## Management Response

AusAID broadly agrees to all recommendations contained in the IPR. AusAID also agrees that AIPEG is to be continued into phase II subject to AusAID internal approval processes and the satisfactory addressing of recommendations contained in the IPR. Specifically AusAID will undertake the following:

- **Objective too broad:** AusAID will revise the facility objective to be in line with the new economic governance strategy currently under development. This strategy will also help set new policy areas to be explored by AIPEG for potential future engagement.
- **Develop new sub-facilities:** AusAID will use the economic governance sector strategy to guide the development of new sub-facilities in areas which are strategically relevant to Indonesian economic priority areas and existing AusAID programs.
- **Recruit economic expertise:** AusAID is in the initial stages of recruiting an AIPEG Senior Advisor for Economics and Public Policy. The recruitment of this expertise will help AIPEG explore new areas of engagement and develop new sub-facilities.
- **Review overhead costs:** AusAID is currently reviewing the existing management and staffing structure of AIPEG to identify potential cost savings. The contract for the next phase of AIPEG will ensure that overhead costs are accurately reflected and are in line with comparative AusAID programs. This will include potential reduction in the current overhead costs, including restructuring and reducing staff and rationalising some cross-cutting activities (gender, human resources, IT and monitoring and evaluation).
- **Long term monitoring and evaluations:** Long-term evaluations on AIPEG programs with selected Indonesian agencies will be undertaken in the future. This will reflect a redirection of resources currently used to evaluate progress at the activity level, which will be wound down in line with the recommendations of the IPR.

The shape of AIPEG Phase II also will be developed by AusAID having careful regard to input provided by relevant stakeholders including the members of the AIPEG Advisory Board, senior Government of Indonesia (GOI) officials and the Managing Contractor.